

## FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2000 to the January 2001 *Idaho Economic Forecast*. The October 2000 Idaho forecast is based on DRI's September 2000 U.S. macroeconomic forecast and the January 2001 Idaho forecast is driven by DRI's November 2000 forecast.

This section focuses on the differences between the current and previous *Idaho Economic Forecasts*. The national variables are considered first. At first glance, the U.S. data included in the table gives no clear indication whether the economic outlook has weakened or improved. Nominal GDP is anticipated to be lower than had previously been forecast. Specifically, it is down 0.4% in 2001, 0.5% in 2002, and 0.3% in 2003. Likewise, U.S. nominal personal income is also lower. But inflation, too, is down. In fact, the lower inflation more than offsets the decline in nominal GDP and personal income, causing their real outlooks to improve. For example, real GDP is higher by 0.1% higher in 2001, 0.2% in 2002, and 0.3% in 2003. Real U.S. personal income is up 0.2% in 2001, 0.3% in 2002, and 0.4% in 2003. The slight improvement to the U.S. economic forecast can also be seen in the nonfarm employment projection. National nonfarm employment is anticipated to be 0.1% higher in 2001, 0.2% stronger in 2002, and up 0.4% in 2003 compared to the previous forecast. Although the services-producing sector accounts for the largest numerical revision, the goods-producing sector actually experiences the largest proportional increase.

A quick review of the Idaho economic data leaves one with the impression that the outlook has soured significantly since the last *Forecast* was published. Indeed, Idaho nominal personal income is down 1.9% in 2000, 2.7% in 2002, and 2.6% in 2003. Looked at another way, Idaho nominal personal income is \$1 billion lower in 2003 than had previously been forecasted. Even after adjusting for inflation, the differences in income are hard to ignore. However, a closer look at the data reveals that most of the change was due to a historical revision to the income data that lowered the starting point for the forecast. Notice on the accompanying table that 1999 Idaho nominal personal income has been lowered by \$800 million. Real Idaho personal income for that same year was reduced \$770 million, but it is down by just \$534 million in 2000. Idaho real personal income is slightly lower than previously forecast in every year from 2001 to 2003. This outlook shows marginally lower employment after 2000. In 2000, employment was about 1,300 (0.2%) higher than in the previous forecast, thanks to stronger-than-anticipated services-producing employment. After 2000, Idaho nonfarm will be about 1,300 lower. During this period, the goods-producing sector will make up lost ground, while the services-producing sector will lose ground.

**IDAHO ECONOMIC FORECAST**  
**FORECASTS COMPARISON**  
**DIFFERENCES BETWEEN**  
**OCTOBER 2000 AND JANUARY 2001 FORECASTS**

	1999	2000	2001	2002	2003
<b>GDP (BILLIONS)</b>					
Current \$	0	-4	-47	-52	-40
% Difference	0.0%	0.0%	-0.4%	-0.5%	-0.3%
1996 Chain-Weighted	0	6	6	18	28
% Difference	0.0%	0.1%	0.1%	0.2%	0.3%
<b>PERSONAL INCOME - CURR \$</b>					
Idaho (Millions)	-804	-604	-860	-962	-996
% Difference	-2.7%	-1.9%	-2.6%	-2.7%	-2.6%
U.S. (Billions)	0	3	-23	-24	-10
% Difference	0.0%	0.0%	-0.3%	-0.3%	-0.1%
<b>PERSONAL INCOME - 1996 \$</b>					
Idaho (Millions)	-767	-534	-653	-686	-717
% Difference	-2.7%	-1.8%	-2.1%	-2.1%	-2.1%
U.S. (Billions)	0	10	14	26	34
% Difference	0.0%	0.1%	0.2%	0.3%	0.4%
<b>TOTAL NONFARM EMPLOYMENT</b>					
Idaho	-11	1,287	-1,028	-1,304	-1,273
% Difference	0.0%	0.2%	-0.2%	-0.2%	-0.2%
U.S. (Thousands)	0	46	176	281	543
% Difference	0.0%	0.0%	0.1%	0.2%	0.4%
<b>GOODS PRODUCING SECTOR</b>					
Idaho	-3	-493	-863	-504	-95
% Difference	0.0%	-0.4%	-0.7%	-0.4%	-0.1%
U.S. (Thousands)	0	3	31	107	235
% Difference	0.0%	0.0%	0.1%	0.4%	1.0%
<b>SERVICE PRODUCING SECTOR</b>					
Idaho	-8	1,780	-164	-800	-1,179
% Difference	0.0%	0.4%	0.0%	-0.2%	-0.2%
U.S. (Thousands)	0	42	145	174	309
% Difference	0.0%	0.0%	0.1%	0.2%	0.3%
<b>FINANCIAL MARKETS</b>					
Federal Funds Rate	0.0	0.0	-0.1	-0.2	-0.3
Bank Prime Rate	0.0	0.0	-0.1	0.0	0.5
Mort Rate, Existing Homes	0.0	0.0	-0.4	-0.5	-0.4
<b>INFLATION</b>					
GDP Price Deflator	0.0	-0.1	-0.6	-0.7	-0.7
Personal Cons Deflator	0.0	-0.1	-0.5	-0.6	-0.6
Consumer Price Index	0.0	0.2	0.1	0.1	0.2

**Forecast Begins the THIRD Quarter of 2000**